ANNUAL REPORT

for the fiscal year
ending March 31, 1987

Nova Scotia
Farm Loan Board

His Honour
The Honourable Alan R. Abraham, C.D.
Lieutenant Governor of the
Province of Nova Scotia
Government House
Halifax, Nova Scotia

Dear Sir,

I have the honour to transmit herewith the fifty-fifth annual report of the Nova Scotia Farm Loan Board for the fiscal year ended March 31, 1987.

I am, your Honour,

Yours very truly,

Roger S. Bacon

The Honourable Roger Bacon
Minister of Agriculture & Marketing
Province of Nova Scotia
Halifax, Nova Scotia

Sir:

On behalf of the Nova Scotia Farm Loan Board, we have the honour to submit the fifty-fifth annual report of the Nova Scotia Farm Loan Board for the fiscal year ending March 31, 1987.

This report on the activities of the Board and the audited financial statement is submitted as required by Section 11 of the Agriculture and Rural Credit Act, 1967.

Respectfully submitted,

Arnold A. Rovers
Director

Lawrence H. Coldwell
Chairman

THE NOVA SCOTIA FARM LOAN BOARD

Board Members

Chairman	Lawrence H. Coldwell
Vice-Chairman	John A. McLean
Member	Theodore E. Mattie
Member	Gordon Creelman
Secretary to the Board	Arnold A. Rovers

Principal Officers

Director	Arnold A. Rovers
Loan Supervisor	Robert Adams
Loan Supervisor	Ralph Taylor
Accountant	Michael P. Cassidy
Solicitor to the Board	Jonathan Davies
Auditor	Auditor General

Truro Office

Loan Officer	David M. Arenburg
Loan Officer	Steven Russell

Kentville Office

Senior Loan Officer	Allister R. Marshall
Loan Officer	Wayne M. MacLeod

Antigonish Office

Loan Officer*	Vernon Murray

*Services seconded by Extension Division

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DIRECTOR'S REPORT

The fiscal year ending March 31, 1987 marked the fifty-fifth year of service to the Nova Scotia agricultural industry by the Nova Scotia Farm Loan Board and its predecessors, the Nova Scotia Land Settlement Board and the Nova Scotia Miners' Settlement Board.

The Nova Scotia Farm Loan Board was established to provide financial services to Nova Scotia farmers to enhance the establishment and development of viable farms. The Board operates under the authority of the Agriculture and Rural Credit Act. In addition, programs and funds are made available by the Department of Agriculture and Marketing and administered by the Board to provide further development assistance to the farm sector.

The agricultural industry continued to recover during the year. Net Farm Income increased from $61.2 million in 1984 to $64.8 million in 1985 and to $80 million in 1986. Interest rates continued to moderate slowly although real interest rates continued at high levels. Most sectors of the industry experienced a reasonably good year.

The Nova Scotia Farm Loan Board, as the primary lender of long term capital to the agricultural industry in Nova Scotia, concentrated on assisting farmers to develop farm operations. New development opportunities increased the demand for loans substantially during the year. The Federal–Provincial Agriculture and Food Development Agreement continued during 1986–87 and significantly encouraged further farm investment.

Young farmers continue to be attracted to the industry. However, it has become more difficult to establish or transfer farms because of increased capitalization, particularly in the supply managed commodities. However, the reduction of risk offered by the supply managed commodities creates a greater demand for this type of farm.

Loan capital employed through the Nova Scotia Farm Loan Board continued to expand. Total capital committed to the agricultural industry stood at $138.7 million on March 31, 1987, an increase of $1.9 million from the previous year. The rate of increase has declined however, as capital repayments from the existing loan portfolio allows the Board to utilize repayment capital for new loans to the industry.

Production continued to expand in 1986–87, primarily in the fur and

poultry meat sectors. Farm production increased at an average rate of three percent per year in the past decade. In addition, productivity gains were made throughout the agricultural sector as farmers continued to lower unit production costs. Farmers are replacing purchased farm inputs by on-farm produced services, particularly in the feed sector. An effort is being made by farmers to capture more components of the production system to enhance total activity on the farm.

The Nova Scotia Farm Loan Board continued to assist farmers in financial difficulty with advisory services as well as financing. Extensive efforts are provided by staff—along with other Departmental Specialists—to resolve problems and improve opportunities. Potential borrowers also receive counselling prior to committing themselves to capital programs and expansion plans.

Although pork prices recovered during the year, financial overcommittments by some producers continued to take extensive staff time. Many farm facilities have not received sufficient investment to keep the units in an appropriate stage of production. As a result, a number of pork producers discontinued production during the year. These properties were placed for sale by the Farm Loan Board with resultant losses as the value of Board security was insufficient to recover Board loans. There is decreased interest by new farmers to accept the risks in the pork sector, although consolidation of units by successful existing pork producers continues.

The Pork Price Stabilization Program, revised in 1985, is now a 100 percent contributory program by the Department of Agriculture and Marketing. The Board retains loans to the industry under the original authority to support the program through loans. Pork prices recovered more than expected during the year. As a result, the Pork Prices Stabilization Program paid $1,165,393.00 to the Board account and reduced the outstanding balance to $5.4 million.

The Board continued discussions during the year with the Federation of Agriculture and commodity groups to determine the best program delivery to the agricultural sector. These discussions assist in providing the degree of service required to develop the industry and tailor programs to the needs of farmers.

Agriculture remains a vital growth industry in the province. The Board is committed to serving the industry with its credit and development policies to enhance the industry's opportunities. Consultation with

farmers, farm organizations and government are undertaken on an on-going basis to best coordinate Board activities with farmers' needs and opportunities.

FARM LOAN BOARD PROGRAMS

Lending Programs

The Nova Scotia Farm Loan Board provides direct loans to Nova Scotian farmers living on farms where financing applies. Loans are also available to partnerships and companies. Loans are in three parts, commercial, part-time and timber.

Commercial. Loans of up to $300,000 are available at eight percent interest on the first $150,000 of loan and ten percent on the next $150,000. Loans in excess of $300,000 are available at prevailing interest rates with Board and Governor-in-Council approval. The maximum term is thirty years, although most loans are for 20-year periods. Loans are primarily for farm purchase or capital development.

Commercial farms must achieve at least $10,000 in on-farm production or 50 per cent of the family's income from the farm. Loans must be to viable units, where the farm can support a farm family and repay the loan from the farm program.

Part-Time. Loans of up to $45,000 are available at ten percent interest. A significant part-time farm program commensurates with the size of the loan required. The maximum term is twenty years.

Timber Loans. The Nova Scotia Farm Loan Board acts as the Timber Loan Board to review loans to mill operators for timber land acquisitions. Loans are available under the same terms as commercial farm loans to owners of wood product mills.

Farm Consolidation Programs

The Farm Loan Board administers a program of land acquisition and leasing of agricultural lands to farmers. Land acquisition proposals are approved by a Land Purchase and Lease Committee, based on the appraised value of the land and other conditions outlined in the program. Lease fees are eight percent of initial acquisition costs plus taxes. Options to purchase may be exercised under specific conditions at the end of five year lease terms. Options to renew leases are also available.

Direct Assistant Programs

Three financial assistance programs are available through the Board:

Young Farmers Interest Forgiveness Policy. This policy is designed to encourage young farmers to acquire and develop a farm. Assistance is based on the amount of interest charged on initial principal borrowings from the Farm Loan Board or Farm Credit Corporation for a two year period. The maximum assistance is $30,000 over two years.

The funds may be used to provide equity contribution to assist directly in the purchase of the farm, to delay or reduce payments depending on cash flow, or to provide for capital improvement projects as required and determined for each loan by the Board.

Interest Subsidy Policy. This policy provides for direct assistance to reduce interest payments by farmers. Assistance is based on 2.5 percent of principal balance outstanding with the Farm Loan Board, Farm Credit Corporation or the Veterans' Land Act. The maximum assistance available is $1,250 per year per farm.

Pork Stabilization Policy. The Department of Agriculture and Marketing has directed the Board to make available interest free loans to the Nova Scotia Pork Stabilization Board—and thereby to pork producers in Nova Scotia. As of September 1985, the policy was changed to a non-contributory program. As a result, no further advancements on behalf of producers will be made through the loan program of the Board.

During 1986–87, pork producers paid $1,165,393 towards outstanding loans.

On March 31, 1987, the balance owing the Nova Scotia Farm Loan Board from the Pork Stabilization Board was $5,439,255. These funds are to be repaid by the industry when prices exceed stabilization levels from deductions per hog marketed.

Indirect Assistance Programs.

A counselling service is provided to evaluate farm proposals as to feasibility (including cash flow analysis), financial projections and other feasibility standards. A counselling service is also provided to farms in financial difficulty, including a review of past conditions, an evaluation of the current situation and projections of changes required, leading up to

financial improvement. These services are provided in close co-operation with the Farm Management Division and Commodity Specialists of the Department of Agriculture and Marketing.

BOARD OPERATION OVERVIEW

Direct Loans

During the fifty-fifth year of Board operations, the Board met on 9 occasions totalling 21 days. Loan activity increased substantially during the past year reflecting improvements in the level of farm incomes and better conditions in the farm economy. Farmers expanded their farm operations although productivity enhancement continued to be a basic farm strategy during the year. A total of 259 loans were approved and accepted by borrowers for total loans of $15,606,364.10.

In addition to its loan function to agriculture and owners of forest product mills, staff of the Farm Loan Board administered policies of reduced interest and assistance to new farmers. The staff of the Board purchased and administered properties for lease to qualified individuals at the request of the Land Purchase and Lease Committee. The administration of the property purchased under ARDA Project 22015 in the period 1965–1971, was a continuing responsibility.

During the year the Board approved and farmers accepted 78 new loans totalling $9,109,392.75. The new loans included 70 for commercial operations and 8 for part-time farmers.

The Board also approved and had accepted 172 additional loans to existing farmers totalling $6,096,957.59. The additional loans included 170 for commercial farms and 2 for part-time farmers.

In addition, 37 applications for loans in the amount of $2,989,500 were rejected due to the inability of the applicants to meet the requirements of the Board. There were also 6 applications in the amount of $146,700 approved but not finalized.

Additions to loans were primarily for building construction, renovations and land purchases, although loans for quota purchases and indebtedness continued at a relatively high level. Substantial increases in loan activity were experienced in nearly all sectors with the exception of the pork industry.

The number of farmers with loans decreased to 1,544 in 1986–87, from 1,589 the year before. Part of the decrease reflected a consolidation as more partnerships and family farm companies were established, and as existing farmers enlarged their units by bringing children into an expanded farm unit.

Total payments by farmers on loans increased to $20,650,712—including $10,722,878 to principal and $9,927,834 to interest. An additional $475,488 was received in insurance premiums. Arrears by farmers continued to be a problem area although payments in arrears decreased from $3.3 million to $3.07 million, reflecting improvements in the farm economy, and extensive efforts by staff in working with farms in financial difficulty.

Timber Loans

The Board also approved 9 applications for loans to assist owners of forest product mills in the purchase of forest land with loans of $400,013. The number of loans outstanding in 1986–87 was 56. Total owed at the end of the year was $1,099,020.

Staff of the Farm Loan Board were responsible for administrative details with respect to receiving applications, preparing documents, loan disbursement and loan records. Personnel of the Department of Lands and Forests carried out loan appraisals and prepared reports and recommendations. In addition, they supervised requests to cut forest products from land held as security for loans and established stumpage rates for material removed.

Farm Consolidation and Land Use

In the period 1965–1970, under the terms and conditions of a joint Government of Canada–Province of Nova Scotia ARDA Project, properties were purchased for leasing to enlarge commerical farm operations. The inital lease was for a term of five years with the lessee having the option to purchase or to renew the lease for a further term. The administration of properties under lease is a continuing responsibility of the Board.

One hundred and fifty-three rental statements were issued in October, 1986. The balance owed on March 31, 1987 under this program was $523,603.

Nine lessees exercised their option to purchase leased property in 1986–87.

Land Purchase and Lease

The Nova Scotia Department of Agriculture and Marketing continued a program of land purchase and leasing which was introduced in the 1974–75 fiscal year. The Farm Loan Board, at the request of the Land Purchase and Lease Committee carries out the administrative details involved in the purchase, lease and administration of these properties. The maximum amount available for the acquisition of property for any farmer is $100,000.

Sixteen properties were purchased at a cost of $344,259 in 1986–87. In total, 345 properties are currently held under the program. The current outstanding account on the properties is $9,483,193.

Interest Subsidy Program

The Board continued to have responsibility for the administration of the Interest Subsidy Policy of the Nova Scotia Department of Agriculture and Marketing. During the year, 1,233 farmers were deemed eligible for $1,171,926 in assistance, for an average payment per farmer of $950.46.

Benefit to New Farmers

The policy of two years Interest Forgiveness to new farmers, introduced by the Department of Agriculture and Marketing in the 1974–75 fiscal year, was continued in 1986–87.

Benefits in the amount of $262,999 were made to 33 applicants who qualified in the first year of this eligibility. There were 28 qualified applicants in their second year of eligibility and the benefit totalled $233,116 for a total benefit during the 1986–87 fiscal year of $496,115.

Insurance

The Farm Loan Board administers a life and total disability group insurance for farmers. The policy is held with the Mutual Life Assurance Company of Canada. Total insurance in force at the end of 1986–87 was $106,747,554.

During the year 8 claims were approved by Mutual Life for total payments of $448,410.

TABLE I
Number of Loans Approved by County, 1986–87

	New Loans		Additional Loans		Total Loans	
County	No.	Amount	No.	Amount	No.	Amount
Annapolis	1	46,800.00	8	306,645.00	9	353,435,00
Antigonish	8	982,051.27	15	353,702.89	23	1,335,754.16
Cumberland	14	845,800.00	23	588,600.00	37	1,434,400.00
Colchester	13	1,601,850.00	28	1,091,787.81	41	2,693,637.81
Cape Breton	1	261,000.00	4	104,250.00	5	365,250.00
Digby	0	—	7	297,950.00	7	297,950.00
Halifax	0	—	5	127,750.00	5	127,750.00
Hants	11	1,606,700.00	14	722,850.00	25	2,329,550.00
Inverness	2	226,700.00	7	119,800.00	9	346,500.00
Kings	18	2,209,191.48	35	1,699,631.89	53	3,908,823.37
Lunenburg	2	375,500.00	4	248,750.00	6	624,250.00
Pictou	6	885,300.00	20	378,950.00	26	1,264,250.00
Guysborough	2	68,500.00	0	—	2	68,500.00
Victoria	0	—	1	9,300.00	1	9,300.00
Shelburne	0	—	0	—	0	—
Yarmouth	0	—	1	47,000.00	1	47,000.00
Queens	0	—	0	—	0	—
	78	9,109,392.75	172	6,096,957.59	250	15,206,350.34
Timber Loan					9	400,013.76
TOTAL					259	15,606,364.10

TABLE 2
Number of Loans Approved by Purpose, 1986–87

Number of New Loans:	78
Number of Additional Loans:	172
Number of Timber Loans:	9

Purpose	$Amount	% of Total
Beef	$ 645,020.00	4.1
Dairy	5,247,698.91	33.6
Hog	598,500.00	3.8
Poultry	3,629,609.27	23.3
Fruit/Vegetables	907,251.27	5.8
Fur	218,500.00	1.4
Sheep	27,850.00	.2
Other Farm Buildings	1,061,302.89	6.8
Silo	292,843.90	1.9
Manure Storage	36,000.00	.2
Land Purchase	1,207,400.00	
Timber Loan	400,013.76	10.3
Machine Equipment & Buildings	136,500.00	.9
Quota	501,410.00	3.2
Indebtedness	696,464.10	4.5
	$15,606,364.10	100.0%

TABLE 3
Operations of the Board, 1985–86 and 1986–87

Accounts	1986–87 No.	1986–87 Amount	1985–86 No.	1985–86 Amount
Loan Accounts	1,544	$120,377,327	1,589	$117,441,868
ARDA Accounts	144	523,603	153	556,321
Land Bank Accounts	345	9,483,193	348	9,930,974
Timber Loan Accounts	56	1,099,020	51	865,642
Loans Approved	250	15,206,350	195	10,687,116
Loans Paid Off During Year	123		45	
ARDA Leases Issued	153		167	
ARDA Properties Sold	14		17	
Land Bank Leases Issued	349		341	
Land Bank Properties Purchased	16	344,259	20	445,454
Timber Loan Board New Approvals	9	400,013	2	28,800
Farm Loans Rejected	37	2,989,500	36	3,462,000
Farm Loans Cancelled	6	146,700	7	310,600
Receipts				
Principal Payments		10,722,878		9,643,476
Interest Payments		9,927,834		9,231,374
Life Insurance		475,488		454,948
Rental & Miscellaneous Receipts		576,653		546,300
Arrears of Payments, March 31		3,070,715		3,315,285
Insurance				
Death & Disability Claims	8		11	
Amount Paid		448,410		344,162
Total Value of Life Insurance		106,747,554		104,473,285
Board				
Number of Board Meetings	9		10	
Number of Days	21		24	

Interest Subsidy Program

Farm Loan Board	1,120	1,097,426	1,134	1,091,976
Farm Credit Corporation	106	72,667	117	79,914
Veterans Land Act	7	1,833	11	2,379
TOTAL	1,233	1,171,926	1,262	1,174,269

Establishing Farmer Program

Farm Loan Board, 1st Year	30	225,043	28	233,116
Farm Loan Board, 2nd Year	28	233,116	37	288,195
Farm Credit Corporation 1st Year	3	37,956	1	13,300
Farm Credit Corporation 2nd Year	0	—	0	—
TOTAL	61	496,115	66	534,611

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD
FINANCIAL STATEMENTS
MARCH 31, 1987

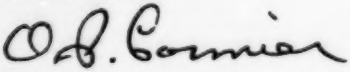
AUDITOR'S REPORT

To the Chairman and Members of the
Nova Scotia Farm Loan Board and to the
Minister of Agriculture and Marketing

I have examined the balance sheet of the Nova Scotia Farm Loan Board as at March 31, 1987. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, this balance sheet presents fairly the financial position of the Nova Scotia Farm Loan Board as at March 31, 1987, in accordance with the accounting policies set out in Note 2 of the financial statements, applied on a basis consistent with that of the preceding year.

O.P. Cormier, F.C.A
Auditor General



Halifax, Nova Scotia
June 25, 1987

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD
BALANCE SHEET
AS AT MARCH 31, 1987

ASSETS

	1987	1986
Accounts receivable	$ 160,220	$ 180,976
Loans receivable (Note 3)	118,415,602	116,608,804
Real estate (Note 4)	12,178,881	12,161,950
	$130,754,703	$128,951,730

LIABILITIES

Reserve for future premium increase in borrowers' group life and disability insurance	$ 527,749	$ 404,904
Advance from Department of Finance	138,726,954	136,846,826
Less: Allowance for doubtful accounts		
Nova Scotia Pork Price Stabilization Board	5,000,000	5,000,000
Farm Loan Board accounts	3,500,000	3,300,000
	8,500,000	8,300,000
Net Advance	130,226,954	128,546,826
	$130,754,703	$128,951,730

APPROVED ON BEHALF OF THE BOARD

Chairman

Member

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD
NOTES TO BALANCE SHEET
MARCH 31, 1987

1. Authority

The Nova Scotia Farm Loan Board operates under the authority of the Agriculture and Rural Credit Act. The Board was established to increase agricultural activities in the Province by providing financial assistance to farmers.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the following policies.

Administrative Expenses, Interest Revenue and Expense

Administrative expenses of the Board, and the differential between capital advance interest charges from the Department of Finance and interest revenues earned on loans are included in the expenditures of the Department of Agriculture and Marketing.

These amounts are not reflected in the attached financial statements, nor is accrued loan interest receivable.

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD
NOTES TO BALANCE SHEET
AS AT MARCH 31, 1987

3. Loans Receivable	**1987**	**1986**
Farm loans	$120,377,327	$117,442,453
Nova Scotia Pork Price Stabilization Board	5,439,255	6,600,709
Timber loans	1,099,020	865,642
	126,915,602	124,908,804
Less: Allowance for doubtful accounts		
Nova Scotia Pork Price Stabilization Board	5,000,000	5,000,000
Farm Board accounts	3,500,000	3,300,000
	8,500,000	8,300,000
	$118,415,602	$116,608,804

Advances to the Nova Scotia Pork Price Stabilization Board are authorized by the Department of Agriculture and Marketing under the Pork Price Stabilization program. The Nova Scotia Farm Loan Board carries these advances in its accounts, but is not responsible for administration of the program or monitoring the individual advances to hog farmers.

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD
NOTES TO BALANCE SHEET
AS AT MARCH 31, 1987

4. Real Estate—at cost

	1987	1986
Land consolidation, ARDA	$ 523,604	$ 556,322
Less: Federal Government share of cost of ARDA properties	339,027	363,112
	184,577	193,210
Land bank	9,483,194	9,930,975
Real estate being leased or held	2,439,484	1,966,139
Community pastures	71,626	71,626
	$ 12,178,881	$ 12,161,950

5. Commitments

As at March 31, 1987, the Board had authorized loans of $4,229,671 (1986–$2,177,602) which had not been disbursed.

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD
CONTINUITY OF LOANS RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 1987

	1987	1986
Loans outstanding, beginning of year	$124,908,804	$120,064,380
Add: Advances made		
Farm loans	13,408,612	13,316,792
Nova Scotia Pork Price Stabilization Board	3,939	1,684,220
Timber loans	361,766	32,710
Transfers from real estate to farm loans	—	479
	13,774,317	15,034,201
Deduct: Payments received		
Farm loans	9,429,096	8,801,092
Nova Scotia Pork Price	1,165,393	44,089
Timber loans	128,389	139,203
Transfers from farm loans to real estate	1,044,641	1,205,393
	11,767,519	10,189,777
Loans outstanding, end of year	126,915,602	124,908,804
Allowance for doubtful accounts		
Nova Scotia Pork Price Stabilization Board	5,000,000	5,000,000
Farm Loan Board accounts	3,500,000	3,300,000
	8,500,000	8,300,000
Loans receivable, net of allowance	$118,415,602	$116,608,804